Kagisano-Molopo Local Municipality

Financial statements
for the year ended 30 June 2018

KAGISANO-MOLOPO LOCAL MUNICIPALITY
(REGISTRATION NUMBER NW397)
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

GENERAL INFORMATION

LEGAL FORM OF ENTITY	Local municipality NW397
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	Kagisano-Molopo Local Municipality mandate is: - to provide democratic and accountable government for local communities; - to ensure the provision of services to communities in a sustainable manner; - to ensure the provision of services to communities in a sustainable manner; - to promote social and ecomomic development; - to promote a safe and healthy environment; - to encourage the involvement of communities and community organisations in the matters of local government
MAYORAL COMMITTEE	
Executive committee members	KE Lenkopane (Mayor) SR Modise (Speaker) MJ Moreki (Member) JK Botha (Member) TZ Baakanyang (Member) NJD Muller (Member)
Councillors	BR Bareng MM Diphikwe KI Gabe LE Gaobepe-Boemo JM Grobbelaar BE Gender TI Kegakilwe OG Letlhogile TM Lenner TC Loabile L Makwati KL Mekgwe DS Moreke BB Makwati TE Matsietso KN Sekopecwe GK Nthebotsenyane TM Olaotswe MM Seeletso OM Serame TJ Thetswe TM Lenkopane SO Lekgari SV Mere KG Ogaseng GF Selebogo MK Mokgara Kgosi T Lethlogile
GRADING OF LOCAL AUTHORITY	Grade 2

GENERAL INFORMATION

CHIEF FINANCE OFFICER (CFO)	M Moloto
ACCOUNTING OFFICER	OT Bojosinyane
REGISTERED OFFICE	Municipal Offices next to Ganeysa Clinic Chief Block - Tlhakagameng Road Ganyesa 8613
BUSINESS ADDRESS	Municipal Offices next to Ganeysa Clinic Chief Block Section Ganyesa 8613
POSTAL ADDRESS	Private Bax X522 Ganyesa 8613
BANKERS	ABSA

KAGISANO-MOLOPO LOCAL MUNICIPALITY
(REGISTRATION NUMBER NW397)
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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COID	Compensation for Occupational Injuries and Diseases
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

ACCOUNTING OFFICER'S RESPONSIBILITIES AND APPROVAL

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2019 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The financial statements set out on pages 5 to 66, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2018 and were signed on its behalf by:

OT Bojosinyane
Accounting Officer

ACCOUNTING OFFICER'S REPORT

The accounting officer submits his report for the year ended 30 June 2018.

1. INCORPORATION

The municipality was incorporated on 12 December 2011 and obtained its certificate to commence business on the same day.

2. REVIEW OF ACTIVITIES

MAIN BUSINESS AND OPERATIONS

3. GOING CONCERN

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

4. ACCOUNTING POLICIES

These management financial statements are prepared in terms of the Section 122 of the Municipal Finance Management Act and presents a report on the status of this municipality's performance against its budget, the management of its revenue, expenditure, assets and liabilities, its operational activities, financial results and the municipal financial position as at 30 June 2018.

5. ACCOUNTING OFFICER

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
OT Bojosinyane	South - African

6. CORPORATE GOVERNANCE

GENERAL

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

COUNCIL MEETINGS

The accounting officer has met on several occassions with the council during the financial year. The accounting officer schedules to meet at least four times per annum.

7. AUDITORS

The Auditor General of South Africa will continue in office for the next financial period.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Note(s)	2018 R	2017 Restated* R
Assets			
Current Assets			
Receivables from exchange transactions	5&8	125 695	-
Receivables from non-exchange transactions	6&8	6 439 893	14 900 880
VAT receivable	7	3 245 256	2 577 785
Cash and cash equivalents	9	38 607 327	39 282 339
		48 418 171	**56 761 004**
Non-Current Assets			
Investment property	2	45 832 000	43 636 026
Property, plant and equipment	3	450 691 129	448 119 409
Intangible assets	4	853 244	403 757
		497 376 373	**492 159 192**
Total Assets		**545 794 544**	**548 920 196**
Liabilities			
Current Liabilities			
Finance lease obligation	10	1 228 240	4 099 035
Payables from exchange transactions	13	18 962 598	13 276 919
Unspent conditional grants and receipts	11	15 213 024	787 145
Provisions	12	19 613 419	19 622 396
		55 017 281	**37 785 495**
Non-Current Liabilities			
Finance lease obligation	10	108 268	3 831 965
Provisions	12	1 113 078	926 727
		1 221 346	**4 758 692**
Total Liabilities		**56 238 627**	**42 544 187**
Net Assets		**489 555 917**	**506 376 009**
Accumulated surplus		489 555 917	506 376 009

* See Note 37

STATEMENT OF FINANCIAL PERFORMANCE

	Note(s)	2018 R	2017 Restated* R
Revenue			
Revenue from exchange transactions			
Rental of facilities and equipment	15	1 288 355	1 221 717
Interest received (trading)		697 087	256 358
Other income	16	1 477 559	738 947
Interest received - investment	17	3 203 131	3 416 424
Total revenue from exchange transactions		**6 666 132**	**5 633 446**
Revenue from non-exchange transactions			
TAXATION REVENUE			
Property rates	18	19 052 119	19 983 734
TRANSFER REVENUE			
Government grants & subsidies	20	139 080 673	132 118 845
Public contributions and donations	21	-	15 840 775
Total revenue from non-exchange transactions		**158 132 792**	**167 943 354**
Total revenue	14	**164 798 924**	**173 576 800**
Expenditure			
Employee related costs	22	(31 365 084)	(28 871 030)
Remuneration of councillors	23	(10 933 537)	(9 668 068)
Depreciation and amortisation	24	(19 639 810)	(20 131 334)
Impairment loss/ Reversal of impairments	25	(1 186 507)	(954 814)
Finance costs	26	(378 266)	(985 640)
Debt Impairment	27	(13 331 066)	(6 563 200)
Repairs and maintenance		(3 827 035)	(2 577 766)
Contracted services	28	(41 244 602)	(35 112 740)
Transfers and Subsidies	19	(2 318 960)	(2 524 723)
General Expenses	29	(59 374 000)	(50 037 264)
Total expenditure		**(183 598 867)**	**(157 426 579)**
Operating (deficit) surplus		**(18 799 943)**	**16 150 221**
Loss on disposal of assets and liabilities		(216 125)	(450 389)
Fair value adjustments	30	2 195 974	3 054 522
		1 979 849	**2 604 133**
(Deficit) surplus for the year		**(16 820 094)**	**18 754 354**

* See Note 37

STATEMENT OF CHANGES IN NET ASSETS

	Accumulated surplus R	Total net assets R
Opening balance as previously reported	487 135 311	487 135 311
Adjustments		
Prior year adjustments	486 344	486 344
Balance at 01 July 2016 as restated*	**487 621 655**	**487 621 655**
Changes in net assets		
Surplus for the year	18 754 354	18 754 354
Total changes	18 754 354	18 754 354
Opening balance as previously reported	491 959 980	491 959 980
Adjustments		
Prior year adjustments	14 416 031	14 416 031
Restated* Balance at 01 July 2017 as restated*	**506 376 011**	**506 376 011**
Changes in net assets		
Surplus for the year	(16 820 094)	(16 820 094)
Total changes	(16 820 094)	(16 820 094)
Balance at 30 June 2018	**489 555 917**	**489 555 917**

Note(s)

* See Note 37

CASH FLOW STATEMENT

	Note(s)	2018 R	2017 Restated* R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Taxation		15 353 884	15 666 667
Sale of goods and services		1 468 375	1 154 221
Grants		153 506 553	132 316 726
Interest income		3 900 218	3 672 782
Public contributions and donations		-	15 840 774
		174 229 030	168 651 170
Payments			
Employee costs		(42 298 621)	(38 539 098)
Suppliers		(101 746 389)	(85 139 067)
Finance costs		(378 268)	(985 640)
Other payments		177 374	2 753 217
		(144 245 904)	(121 910 588)
Net cash flows from operating activities	32	**29 983 126**	**46 740 582**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	3	(33 218 547)	(60 040 137)
Proceeds from sale of property, plant and equipment	3	9 808 228	-
Purchase of other intangible assets	4	(653 330)	(375 530)
Net cash flows from investing activities		**(24 063 649)**	**(60 415 667)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance lease payments		(6 594 492)	4 570 791
Net increase/(decrease) in cash and cash equivalents		**(675 015)**	**(9 104 294)**
Cash and cash equivalents at the beginning of the year		39 282 339	48 386 630
Cash and cash equivalents at the end of the year	9	**38 607 324**	**39 282 336**

* See Note 37

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on the Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
STATEMENT OF FINANCIAL PERFORMANCE						
REVENUE						
REVENUE FROM EXCHANGE TRANSACTIONS						
Rental of facilities and equipment	1 859 000	-	**1 859 000**	1 288 355	**(570 645)**	44 A
Interest received (trading)	-	-	**-**	697 087	**697 087**	44 B
Other income - (rollup)	10 809 000	-	**10 809 000**	1 477 559	**(9 331 441)**	44 C
Interest received - investment	2 740 000	-	**2 740 000**	3 203 131	**463 131**	44 D
Total revenue from exchange transactions	**15 408 000**	**-**	**15 408 000**	**6 666 132**	**(8 741 868)**	
REVENUE FROM NON-EXCHANGE TRANSACTIONS						
TAXATION REVENUE						
Property rates	16 980 000	6 163 000	**23 143 000**	19 052 119	**(4 090 881)**	44 E
TRANSFER REVENUE						
Government grants & subsidies	114 730 000	-	**114 730 000**	139 080 673	**24 350 673**	44 F
Total revenue from non-exchange transactions	**131 710 000**	**6 163 000**	**137 873 000**	**158 132 792**	**20 259 792**	
Total revenue	**147 118 000**	**6 163 000**	**153 281 000**	**164 798 924**	**11 517 924**	
EXPENDITURE						
Personnel	(30 769 000)	-	**(30 769 000)**	(31 365 084)	**(596 084)**	
Remuneration of councillors	(10 422 000)	-	**(10 422 000)**	(10 933 537)	**(511 537)**	
Depreciation and amortisation	(24 900 000)	-	**(24 900 000)**	(19 639 810)	**5 260 190**	44 G
Assets written / Reversal of assets written off	-	-	**-**	(1 186 507)	**(1 186 507)**	44 H
Finance costs	-	-	**-**	(378 266)	**(378 266)**	44 I
Debt Impairment	(1 284 000)	-	**(1 284 000)**	(13 331 066)	**(12 047 066)**	44 I
Repairs and maintenance	-	-	**-**	(3 827 035)	**(3 827 035)**	44 I
Contracted Services	(18 622 000)	-	**(18 622 000)**	(41 244 602)	**(22 622 602)**	44 J
Transfers and Subsidies	-	-	**-**	(2 318 960)	**(2 318 960)**	44 I
General Expenses	(72 764 000)	(20 289 000)	**(93 053 000)**	(59 374 000)	**33 679 000**	44 I
Total expenditure	**(158 761 000)**	**(20 289 000)**	**(179 050 000)**	**(183 598 867)**	**(4 548 867)**	
Operating deficit	**(11 643 000)**	**(14 126 000)**	**(25 769 000)**	**(18 799 943)**	**6 969 057**	
Loss on disposal of assets and liabilities	-	-	**-**	(216 125)	**(216 125)**	
Fair value adjustments	-	-	**-**	2 195 974	**2 195 974**	
	-	**-**	**-**	**1 979 849**	**1 979 849**	
Deficit before taxation	**(11 643 000)**	**(14 126 000)**	**(25 769 000)**	**(16 820 094)**	**8 948 906**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(11 643 000)**	**(14 126 000)**	**(25 769 000)**	**(16 820 094)**	**8 948 906**	

ACCOUNTING POLICIES

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 PRESENTATION CURRENCY

These financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 GOING CONCERN ASSUMPTION

These financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value in use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 12 - Provisions.

1.3 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY (continued)

Useful lives of Infrastructure, community and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for these assets. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.4 INVESTMENT PROPERTY

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model. The residual value of the investment property is then assumed to be zero. The entity applies the cost model until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

ACCOUNTING POLICIES

1.4 INVESTMENT PROPERTY (continued)

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the financial statements (see note 2).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 2).

1.5 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

1.5 PROPERTY, PLANT AND EQUIPMENT (continued)

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight line	30
Machinery and equipment	Straight line	5-10
Furniture and fixtures	Straight line	7
Motor vehicles	Straight line	7
Office equipment	Straight line	7
Emergency equipment	Straight line	7
Community	Straight line	30
Other property, plant and equipment	Straight line	5-10
Other community assets	Straight line	15-30
Roads network	Straight line	10-70
Electricity network	Straight line	45
Stormwater network	Straight line	30-40
Landfil site Perimeter Protection and Structures	Straight line	10-55

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 3).

ACCOUNTING POLICIES

1.5 PROPERTY, PLANT AND EQUIPMENT (continued)

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 3).

1.6 INTANGIBLE ASSETS

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Amortisation method	Average useful life
Computer software	Straight line	5

ACCOUNTING POLICIES

1.7 FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:
- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:
- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

1.7 FINANCIAL INSTRUMENTS (continued)

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading.

A financial instrument is held for trading if:

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
- on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
- non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
- financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

1.7 FINANCIAL INSTRUMENTS (continued)

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, a municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

1.7 FINANCIAL INSTRUMENTS (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

1.7 FINANCIAL INSTRUMENTS (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.8 TAX

Value added taxation (VAT)

The municipalty accounts for the value added taxation on the accrual basis.

1.9 LEASES

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the 10,5%.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

ACCOUNTING POLICIES

1.9 LEASES (continued)

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.10 IMPAIRMENT OF CASH-GENERATING ASSETS

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Useful life is either:
(a) the period of time over which an asset is expected to be used by the municipality; or
(b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

1.10 IMPAIRMENT OF CASH-GENERATING ASSETS (continued)

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

1.10 IMPAIRMENT OF CASH-GENERATING ASSETS (continued)

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

1.10 IMPAIRMENT OF CASH-GENERATING ASSETS (continued)

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.11 IMPAIRMENT OF NON-CASH-GENERATING ASSETS

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

1.11 IMPAIRMENT OF NON-CASH-GENERATING ASSETS (continued)

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:
(a) the period of time over which an asset is expected to be used by the municipality; or
(b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.11 IMPAIRMENT OF NON-CASH-GENERATING ASSETS (continued)

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.12 EMPLOYEE BENEFITS

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Long service awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued at each reporting date by an independent qualified actuary and the corresponding liability is raised.

Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.13 PROVISIONS AND CONTINGENCIES

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

1.13 PROVISIONS AND CONTINGENCIES (continued)

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 34.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

1.13 PROVISIONS AND CONTINGENCIES (continued)

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, a municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.10 and 1.11.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

ACCOUNTING POLICIES

1.14 COMMITMENTS

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.15 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.15 REVENUE FROM EXCHANGE TRANSACTIONS (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest received is recognised, in surplus or deficit, using the effective interest rate method on bank balances, short term deposits and accounts receivables.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.16 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

ACCOUNTING POLICIES

1.16 REVENUE FROM NON-EXCHANGE TRANSACTIONS (continued)

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Levies / Property rates

Levies / property rates are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Levies / property rates are based on declarations completed by levy payers. The estimate of levies / property rates revenue when a levy payer has not submitted a declaration are based on the following factors:
- the extent and success of procedures to investigate the non-submission of a declaration by defaulting levy payers;
- internal records maintained of historical comparisons of estimated levies with actual levies received from individual levy payers;
- historical information on declarations previously submitted by defaulting levy payers; and
- the accuracy of the database of levy payers as well as the frequency by which it is updated for changes.

Changes to estimates made when more reliable information becomes available are processed as an adjustment to levies revenue.

Government grants

Government grants are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

1.17 FINANCE COSTS

Finance costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Finance costs are recognised as an expense in the period in which they are incurred.

ACCOUNTING POLICIES

1.18 COMPARATIVE FIGURES

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.19 UNAUTHORISED EXPENDITURE

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 IRREGULAR EXPENDITURE

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.22 BUDGET INFORMATION

The municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by the municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The budget for the economic entity includes all the entities approved budgets under its control.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.22 BUDGET INFORMATION (continued)

The Statement of comparative and actual information has been included in the financial statements as the recommended disclosure when the financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.23 RELATED PARTIES

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.24 EVENTS AFTER REPORTING DATE

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

	2018 R	2017 R

2. INVESTMENT PROPERTY

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	45 832 000	-	45 832 000	43 636 026	-	43 636 026

Reconciliation of investment property - 2018

	Opening balance	Fair value adjustments	Total
Investment property	43 636 026	2 195 974	45 832 000

Reconciliation of investment property - 2017

	Opening balance	Fair value adjustments	Total
Investment property	40 581 504	3 054 522	43 636 026

Nett income of investment properties	1 058 348	834 858

Pledged as security

No investment property were pledged as security

Details of property

The effective date of the revaluations was 30 June 2018. Fair valuations were performed by Engnet Solutions, who contracted an independent valuer, Mr Stefan Rudman, ND Real Estate (Property Valuations), who is registered with the Professional Valuers Council, Registration Number 3693. Mr Stefan Rudman and Engnet Solutions are not connected to the municipality and have recent experience in location and category of the investment property being valued.

Based on the nature of the properties, different valuation methods were used. For vacant land, the comparable sales method of valuation was used. For sports clubs the replacement cost depreciation method of valuation was used, while for properties on which rental are charged, the income capitalisation method of valuation was used.

Various assumptions are used for valuating the properties and these valuation certificates are available for inspecion at the municipality.

These assumptions are based on current market conditions. All of the municipality's investment property is held under freehold interests and no investment property had been pledged as security for any liabilities of the municipality. There are no restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal. There are no contractual obligations on investment property. No impairment losses have been recognised on investment property of the municipality at the reporting date. A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

NOTES TO THE FINANCIAL STATEMENTS

Figures in Rand

3. PROPERTY, PLANT AND EQUIPMENT

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	3 230 072	-	3 230 072	3 230 072	-	3 230 072
Buildings	41 292 949	(12 448 211)	28 844 738	41 519 332	(11 229 402)	30 289 930
Finance Lease Assets	7 291 949	(5 259 862)	2 032 087	16 880 177	(2 829 212)	14 050 965
Infrastructure	200 245 193	(36 269 207)	163 975 986	200 245 193	(31 644 177)	168 601 016
Community	238 798 737	(53 635 826)	185 162 911	224 265 220	(45 887 559)	178 377 661
Other property, plant and equipment	34 016 713	(17 145 243)	16 871 470	28 926 814	(13 063 855)	15 862 959
Community Assets - Under construction / WIP	19 334 033	-	19 334 033	15 951 579	-	15 951 579
Infrastructure - Under construction / WIP	31 239 832	-	31 239 832	21 755 227	-	21 755 227
Total	**575 449 478**	**(124 758 349)**	**450 691 129**	**552 773 614**	**(104 654 205)**	**448 119 409**

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	3 230 072	-	-	-	-	-	-	3 230 072
Buildings	30 289 930	123 177	(186 722)	-	-	(1 381 647)	-	28 844 738
Finance Lease Assets	14 050 965	-	(9 588 228)	-	-	(2 430 650)	-	2 032 087
Infrastructure	168 601 016	-	-	-	-	(4 625 030)	-	163 975 986
Community	178 377 661	13 208 081	-	-	1 325 436	(7 748 267)	-	185 162 911
Other property, plant and equipment	15 862 959	5 694 794	(249 403)	-	-	(3 250 373)	(1 186 507)	16 871 470
Community Assets - Under construction / WIP	15 951 579	16 590 535	-	(13 208 081)	-	-	-	19 334 033
Infrastructure - Under construction / WIP	21 755 227	9 484 605	-	-	-	-	-	31 239 832
	448 119 409	**45 101 192**	**(10 024 353)**	**(13 208 081)**	**1 325 436**	**(19 435 967)**	**(1 186 507)**	**450 691 129**

NOTES TO THE FINANCIAL STATEMENTS

Figures in Rand

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	3 230 072	-	-	-	-	-	3 230 072
Buildings	31 575 401	-	-	-	(1 285 471)	-	30 289 930
Finance Lease Assets	7 291 949	9 588 228	-	-	(2 829 212)	-	14 050 965
Infrastructure	165 597 539	7 928 582	-	-	(4 925 105)	-	168 601 016
Community	154 206 861	31 373 467	-	-	(6 247 853)	(954 814)	178 377 661
Other property, plant and equipment	18 133 758	2 242 756	-	-	(4 513 555)	-	15 862 959
Community Assets - Under construction / WIP	17 424 582	-	(20 377 556)	18 904 553	-	-	15 951 579
Infrastructure - Under construction / WIP	13 924 053	-	(5 401 919)	13 233 093	-	-	21 755 227
	411 384 215	**51 133 033**	**(25 779 475)**	**32 137 646**	**(19 801 196)**	**(954 814)**	**448 119 409**

Pledged as security

Property, plant and equipment has not been pledged as security or collateral.

4. INTANGIBLE ASSETS

	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1 178 783	(325 539)	853 244	525 453	(121 696)	403 757

	2018 R	2017 R

4. INTANGIBLE ASSETS (continued)

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Amortisation	Total
Computer software	403 757	653 330	(203 843)	853 244

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Total
Computer software	77 986	375 530	(49 759)	403 757

Pledged as security

No investment property were pledged as security

5. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Consumer debtors - Rental debtors	125 695	-

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	2 432	-
2 months past due	8 540	-
3 months past due	121 336	27 402

Reconciliation of provision for impairment of trade and other receivables

Opening balance	2 497 590	455 149
Provision for impairment - Statement of Financial Performance (Note 27)	1 171 844	2 042 441
	3 669 434	**2 497 590**

6. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Other receivables from non-exchange revenue	1 474 364	524 586
Other receivables from non-exchange revenue - Prepayments	356 250	1 141 474
Consumer debtors - Rates	4 609 279	13 234 820
	6 439 893	**14 900 880**

Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	-	-
2 months past due	-	-
3 months past due	4 609 279	13 234 830

NOTES TO THE FINANCIAL STATEMENTS

	2018 R	2017 R

6. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (continued)

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	27 822 426	21 259 226
Provision for impairment - Statement of Financial Performance (Note 27)	(9 317 043)	6 563 200
	18 505 383	**27 822 426**

None of these financial assets were pledged as collateral for liabilities or contingent liabilities.

7. VAT RECEIVABLE

VAT	3 245 256	2 577 785

Current tax receivable relates to a Value Added Tax Credit to be paid out by SARS.

Kagisano-Molopo Local Municipality is registered as a VAT Vendor on the invoice basis.

Included in the amounts disclosed on the face of the Statement of Financial Position may be amounts that relates to adjustments from SARS for which no transaction breakdown received to indicate the nature and type of the disallowments relating to transactions. This amount is recorded as a reconciling items until reason for the disallowment can be investigated.

8. CONSUMER DEBTORS DISCLOSURE

Gross balances		
Consumer debtors - Rates	23 114 662	27 680 160
Rental receivables	3 795 129	2 497 590
	26 909 791	**30 177 750**
Less: Allowance for impairment		
Consumer debtors - Rates	(18 505 383)	(14 445 340)
Consumer debtors - Other	(3 669 434)	(2 497 590)
	(22 174 817)	**(16 942 930)**
Net balance		
Consumer debtors - Rates	4 609 279	13 234 820
Consumer debtors - Other 1	125 695	-
	4 734 974	**13 234 820**
Included above is receivables from non-exchange transactions (taxes and transfers)		
Rates	4 609 279	13 234 830
Net balance	**4 609 279**	**13 234 830**
Rates		
121 - 365 days	4 609 279	13 234 820

NOTES TO THE FINANCIAL STATEMENTS

	2018 R	2017 R
8. CONSUMER DEBTORS DISCLOSURE (continued)		
Rentals		
Current (0 -30 days)	1 926	-
31 - 60 days	2 432	-
61 - 90 days	8 540	-
91 + days	112 797	-
	125 695	**-**
Summary of debtors by customer classification		
Residential, rentals, farms and small holdings		
Current (0 -30 days)	3 446 778	149 422
31 - 60 days	137 421	64 704
61 - 90 days	73 098	127 614
91 - 120 days	17 978 308	16 368 100
	21 635 605	16 709 840
Less: Allowance for impairment	(21 459 722)	(16 682 437)
	175 883	**27 403**
Industrial/ commercial		
91 - 120 days	726 039	329 527
	726 039	329 527
Less: Allowance for impairment	(715 095)	(329 527)
	10 944	**-**
National and provincial government		
91 - 120 days	4 609 279	13 308 052
	4 609 279	13 308 052
Less: Allowance for impairment	-	-
	4 609 279	**13 308 052**

NOTES TO THE FINANCIAL STATEMENTS

	2018 R	2017 R

9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Bank balances	5 834 290	12 200 771
Short-term deposits	32 773 037	27 081 568
	38 607 327	**39 282 339**

Cash and cash equivalents pledged as collateral

No financial assets pledged as collateral

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2018	**30 June 2017**	**30 June 2016**	**30 June 2018**	**30 June 2017**	**30 June 2016**
ABSA Bank - Primary Bank Account - Acc no:407801332	5 834 290	12 200 734	23 110 038	5 834 290	12 200 771	23 110 038
FNB - Short-term Deposits - 62360911202	30 154 056	24 616 284	22 968 908	30 154 056	24 616 284	22 968 908
FNB - Short-term Deposit - 62371561062	2 617 468	2 463 796	2 306 197	2 617 468	2 463 796	2 306 197
Standard Bank - Short-term Deposits - 48549592	1 488	1 487	1 487	1 488	1 488	1 487
Total	**38 607 302**	**39 282 301**	**48 386 630**	**38 607 302**	**39 282 339**	**48 386 630**

NOTES TO THE FINANCIAL STATEMENTS

	2018 R	2017 R
10. FINANCE LEASE OBLIGATION		
Minimum lease payments due		
- within one year	1 310 580	4 738 247
- in second to fifth year inclusive	109 215	3 918 059
- later than five years	-	-
	1 419 795	8 656 306
less: future finance charges	(83 287)	(725 306)
Present value of minimum lease payments	**1 336 508**	**7 931 000**
Present value of minimum lease payments due		
- within one year	1 228 240	4 099 035
- in second to fifth year inclusive	108 268	3 831 965
- later than five years	-	-
	1 336 508	**7 931 000**
Non-current liabilities	108 268	3 831 965
Current liabilities	1 228 240	4 099 035
	1 336 508	**7 931 000**

Anaka Group: The municipality entered into a lease agreement on 1 May 2016. The first instalment is due on 1 July 2016 and the final instalment will be made on 1 July 2019. A deposit amounting to R3 931 740 was paid on this lease. Interest is charged at 10,5% per annum

Kwane Capital (2017): The municipality entered into a lease agreement on 27 June 2016. The first instalment is due on 31 August 2016 and the final instalment will be made on 28 July 2019.
A deposit amounting to R5 426 934 was paid on this lease. Interest is charged at 10,5% per annum.

The municipality were served with a court order regarding the lease entered into. the leased assets were returned and the municipality is in the process of claiming the deposit paid back from the lessor.

Interest rates are fixed at the contract date. All leases have fixed repayments and include additional charges for contingent rent based on a percentage of sales.

NOTES TO THE FINANCIAL STATEMENTS

	2018 R	2017 R

11. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Financial Management Grant	250 688	-
Department of Sports, Arts and Culture Library Grant	899 898	787 145
Municipal Infrastructure Grant	14 062 438	-
	15 213 024	**787 145**

The nature and extent of government grants recognised in the financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 20 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

NOTES TO THE FINANCIAL STATEMENTS

	2018 R	2017 R

12. PROVISIONS

Reconciliation of provisions - 2018

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Total
Environmental rehabilitation	19 519 107	59 370	-	-	19 578 477
Long Service Award Liability	1 030 016	188 843	(113 367)	42 528	1 148 020
	20 549 123	**248 213**	**(113 367)**	**42 528**	**20 726 497**

Reconciliation of provisions - 2017

	Opening Balance	Additions	Total
Environmental rehabilitation	17 001 318	2 517 789	19 519 107
Long Service Award Liability	794 588	235 428	1 030 016
	17 795 906	**2 753 217**	**20 549 123**

Non-current liabilities	1 113 078	926 727
Current liabilities	19 613 419	19 622 396
	20 726 497	**20 549 123**

Environmental rehabilitation provision

Key Assumptions

The timing for the possible outflow of resources for the maintenance and rehabilitation of the illegal dumping site could not be determined at the date of the financial statements.

The following key assumptions were made to arrive at the amount disclosed as a possible future obligation:

- The cost estimate is based on 25% Preliminary and General (P&G) and a 10% contingency of the construction amount for unforseen items.
- Included in the amount is a part time Civil Engineer as a site supervisor, a part time Occupational Health and Safety Officer and an Environment Control Officer to ensure that the site is closed in a safe manner and in terms of the OHS Act, the license and the Environmental Management Program.
- The rates used to determine the construction amount (cost) are based on current or recent contracts undertaken in similar circumstances in the local area.

Based on the key assumptions an estimated amount was calculated. The estimated value will need to be escalated by the local CPI for the number of years after the base date of 30 June 2018 when the construction project is actually undertaken.

The amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.

	2018 R	2017 R

12. PROVISIONS (continued)

Long Service Award Liability

Key Assumptions

Financial Assumptions: It is difficult to estimate future investment returns and salary inflation rates. The relationship between them is more stable and therefore easier to predict. GRAP19 requires that financial assumptions be based on market expectations at the valuation date for the period over which the liability obligations are to be settled.

Discount Rate: The discount rate required by GRAP19 should be set with reference to a high quality corporate bond. In countries where there is no deep market in such bonds, the market yield on government bonds should be used. A greater emphasis is placed on the duration of the liabilities when determining the discount rate as per the revised GRAP 19 requirements. With this in mind, we have set the discount rate by using the "best fit" discount rate at 30 June 2018 which we have based on the yields from the zero coupon government bond curve. The best fit has been determined taking into account the cash-flow weighted duration of the liabilities, which is approximately 8 years. The recommended discount rate of 8,92% for the 2016-17 financial year increases by 0.26% to 9.18% in the 2017-18 financial year.

General Salary Increase: This assumption is more stable relative to the growth in Consumer Price Inflation (CPI) than in absolute terms.The implied inflation is 6.21% per annum for future inflation. Future salaries are expected to increase in line with inflation. We assume that salary inflation will exceed general inflation by 1.0% per annum, i.e. 7.21% per annum. It has been assumed that the next salary increase will take place in 1 July 2018

Average Retirement Age: The Municipality has a normal retirement age of 65. It has been assumed that all in-service members will retire at age 63, which makes an allowance for expected rates of early and ill-health retirement.

13. PAYABLES FROM EXCHANGE TRANSACTIONS

Trade payables	6 421 834	5 059 357
Retentions	2 938 808	2 405 333
Other creditors	5 552 913	1 806 367
Accrued leave pay	3 427 617	3 459 368
Accrued bonus	621 426	546 494
	18 962 598	**13 276 919**

14. REVENUE

Rental of facilities and equipment	1 288 355	1 221 717
Interest received (trading)	697 087	256 358
Other income	1 477 559	738 947
Interest received - investment	3 203 131	3 416 424
Property rates	19 052 119	19 983 734
Government grants & subsidies	139 080 673	132 118 845
Public contributions and donations	-	15 840 775
	164 798 924	**173 576 800**

The amount included in revenue arising from exchanges of goods or services are as follows:

Rental of facilities and equipment	1 288 355	1 221 717
Interest received (trading)	697 087	256 358
Other income	1 477 559	738 947
Interest received - investment	3 203 131	3 416 424
	6 666 132	**5 633 446**

NOTES TO THE FINANCIAL STATEMENTS

	2018 R	2017 R
14. REVENUE (continued)		
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	19 052 119	19 983 734
Transfer revenue		
Government grants & subsidies	139 080 673	132 118 845
Public contributions and donations	-	15 840 775
	158 132 792	**167 943 354**
15. RENTAL OF FACILITIES AND EQUIPMENT		
Facilities and equipment		
Rental of facilities	1 288 355	1 221 717
16. OTHER INCOME		
Sundry income	113 964	622 729
Tender documents	91 480	116 218
Finance charge reversal	660 410	-
Insurance claim received	611 705	-
	1 477 559	**738 947**
17. INVESTMENT REVENUE		
Interest revenue		
Bank	3 203 131	3 416 424

NOTES TO THE FINANCIAL STATEMENTS

	2018 R	2017 R
18. PROPERTY RATES		
Rates received		
Residential	126 444	126 864
Commercial	414 036	46 596
State	35 765 124	12 711 780
Small holdings and farms	6 437 327	6 659 659
Less: Income forgone	(23 691 043)	-
	19 051 888	**19 544 899**
Valuations		
Residential	21 074 000	21 264 001
Commercial	34 503 010	3 883 000
State	894 128 100	738 797 964
Small holdings and farms	4 291 551 500	4 444 715 551
	5 241 256 610	**5 208 660 516**

Valuations on land and buildings are performed every four years. The last general valuation came into effect on 1 July 2014. Supplementary valuations are processed on an annual basis to take into account changes in individual property values due to alterations.

Rate tariffs are applied to properties as per property classification/catergory to determine assessment rates. Rebates of 85% are granted to farm property owners. Rates are levied on an annual basis on property owners.

Rates are levied on an annual basis with the final date of payment being the end of each finacial year. Rates will be subject to a discount of 5% if paid on or before 30 September of each year.

19. GRANTS AND SUBSIDIES PAID		
Other subsidies		
SMME Development	167 908	460 065
Nursery Development Project	-	33 818
Ecocircle Garden System	-	4 915
Goat Breeding Project	1 057 933	749 382
Heritage programmes	671 037	265 474
Community Works Programme	-	250 548
Disaster Management	422 082	611 611
Ditshukutshwaneng Project	-	28 910
Recycling project	-	120 000
	2 318 960	**2 524 723**
20. GOVERNMENT GRANTS AND SUBSIDIES		
Operating grants		
Equitable share	103 799 000	99 212 000
Financial Management Grant	2 825 312	2 749 000
Extended Public Works Programme Grant	3 225 000	1 025 000
Local Government Seta Grant	167 552	153 189
	110 016 864	**103 139 189**

NOTES TO THE FINANCIAL STATEMENTS

	2018 R	2017 R
20. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
Capital grants		
Municipal Infrastructure Grant	28 476 562	28 697 000
Department of Sports, Arts and Culture Library Grant	587 247	282 656
	29 063 809	**28 979 656**
	139 080 673	**132 118 845**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	138 987 109	132 118 845
Unconditional grants received	103 799 000	99 212 000
	242 786 109	**231 330 845**

Equitable Share

The grant is used to fund the operations of the municipality in accordance with the approved MTREF budget.

Financial Management Grant

Balance unspent at beginning of year	-	-
Current-year receipts	3 076 000	2 749 000
Conditions met - transferred to revenue	(2 825 312)	(2 749 000)
	250 688	**-**

Conditions still to be met - remain liabilities (see note 11).

The grant is mainly used for supporting reforms in financial management by building capacity in the municipality to implement the MFMA and progressive financial reporting.

Extended Public Works Programme Grant

Balance unspent at beginning of year	-	-
Current-year receipts	3 225 000	1 025 000
Conditions met - transferred to revenue	(3 225 000)	(1 025 000)
	-	**-**

Conditions still to be met - remain liabilities (see note 11).

The grant was used by municipality to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the Expanded Public Works Programme Guidelines: road maintenance and the maintenance of buildings; low traffic volume roads and rural roads; other economic and social infrastructure; tourism and cultural industries; and sustainable land based livelihoods.

NOTES TO THE FINANCIAL STATEMENTS

	2018 R	2017 R

20. GOVERNMENT GRANTS AND SUBSIDIES (continued)

Local Government Seta

Balance unspent at beginning of year	-	19 463
Current-year receipts	167 552	133 726
Conditions met - transferred to revenue	(167 552)	(153 189)
	-	**-**

Conditions still to be met - remain liabilities (see note 11).

This grant is used for skills development within the Kagisano Molopo Local Municipality.

Department of Sports, Arts and Culture Library Grant

Balance unspent at beginning of year	787 145	569 801
Current-year receipts	700 000	500 000
Conditions met - transferred to revenue	(587 247)	(282 656)
	899 898	**787 145**

Conditions still to be met - remain liabilities (see note 11).

This grant is mainly used in assisting the municipality with services offered at public libraries. The services covers capacitating the municipality with human capital and computer hardware/software.

Municipal Infrastructure Grant

Balance unspent at beginning of year	-	-
Current-year receipts	42 539 000	-
Conditions met - transferred to revenue	(28 476 562)	-
	14 062 438	**-**

Conditions still to be met - remain liabilities (see note 11).

The grant is meant to assist the municipality to build in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act (MSA) and related legislation, policies and the local government turnaround strategy.

21. PUBLIC CONTRIBUTIONS AND DONATIONS

Public contributions and donations	-	15 840 775

22. EMPLOYEE RELATED COSTS

Basic	20 031 762	17 741 497
Bonus	1 160 940	1 092 642
Company contributions	4 198 720	3 902 306
Travel, motor car, accommodation, subsistence and other allowances	4 621 751	5 267 016
Long-service awards	231 371	278 811
Acting allowances	173 079	-
Housing benefits and allowances	104 920	87 790
Other employee related costs	842 541	500 968
	31 365 084	**28 871 030**

NOTES TO THE FINANCIAL STATEMENTS

	2018 R	2017 R

22. EMPLOYEE RELATED COSTS (continued)

Remuneration of municipal manager

Annual Remuneration	300 898	1 278 132
Car Allowance	115 918	289 993
Performance Bonuses	-	341 404
Contributions to UIF, Medical and Pension Funds	16 206	115 982
Acting allowances	538 661	-
Other employee related costs	283 879	-
	1 255 562	**2 025 511**

Included in above summary of Employee Related Costs.

The municipal manager position was vacant for the period 1 August 2017 to 28 February 2018. During this time the position was filled by officials in an acting capacity.

Remuneration of the chief financial officer

Annual Remuneration	496 687	615 597
Car Allowance	202 834	122 174
Performance Bonuses	-	56 397
Contributions to UIF, Medical and Pension Funds	7 740	99 844
Acting allowances	30 400	-
	737 661	**894 012**

Included in above summary of Employee Related Costs.

The chief financial oficer was vacant for the period 1 July 2017 to 30 September 2017. During this time the position was filled by officials in an acting capacity.

Remuneration of corporate services director

Annual Remuneration	151 680	372 865
Car Allowance	88 106	85 172
Performance Bonuses	-	145 769
Contributions to UIF, Medical and Pension Funds	6 744	79 645
Other employee related cost	-	180 996
Acting allowances	258 141	-
	504 671	**864 447**

Included in above summary of Employee Related Costs.

The corporate services director position was vacant for the period 1 January 2018 to 14 April 2018. During this time the position was filled by officials in an acting capacity.

	2018 R	2017 R

22. EMPLOYEE RELATED COSTS (continued)

Remuneration of the community services director

Annual Remuneration	496 687	-
Car Allowance	205 893	-
Performance Bonuses	-	-
Contributions to UIF, Medical and Pension Funds	7 759	-
Acting allowances	48 014	-
	758 353	**-**

Included in above summary of Employee Related Costs.

The community services director position was vacant for the period 1 July 2017 to 30 September 2017. During this time the position was filled by officials in an acting capacity.

Remuneration of Good Governance Director (Acting)

Annual Remuneration	-	424 458
Car Allowance	-	112 587
Performance Bonuses	-	4 800
Contributions to UIF, Medical and Pension Funds	-	62 951
	-	**604 796**

Included in above summary of Employee Related Costs.

The good governance director position was vacant for the year under review. During this time the position was not filled.

Remuneration of techical services director (acting)

Annual Remuneration	45 195	681 834
Car Allowance	9 866	28 248
Performance Bonuses	54 399	147 870
Contributions to UIF, Medical and Pension Funds	44 760	70 419
Other employee related costs	154 219	-
	308 439	**928 371**

Included in above summary of Employee Related Costs.

The technical services director posision was vacant for the period 1 September 2017 to 30 June 2018

Remuneration of the director community services (Acting)

Annual Remuneration	-	520 984
Car Allowance	-	63 724
Performance Bonuses	-	80 338
Contributions to UIF, Medical and Pension Funds	-	115 729
	-	**780 775**

Included in above summary of Employee Related Costs

NOTES TO THE FINANCIAL STATEMENTS

	2018 R	2017 R

22. EMPLOYEE RELATED COSTS (continued)

Remuneration of director community services (Acting)

Annual Remuneration	-	337 742
Car Allowance	-	19 018
Performance Bonuses	-	139 296
Contributions to UIF, Medical and Pension Funds	-	42 276
	-	**538 332**

23. REMUNERATION OF COUNCILLORS

Executive Major	821 432	774 226
Speaker	671 179	682 361
Councillors	4 304 357	3 498 061
Executive Committee Members	2 521 044	2 191 157
Councillors' pension and medical aid contributions	671 513	468 705
Councillors' allowances	1 891 985	2 053 558
	10 881 510	**9 668 068**

In-kind benefits

The Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor has use of the Council owned vehicle with two full time drivers for official duties.

24. DEPRECIATION AND AMORTISATION

Property, plant and equipment	19 435 967	20 081 574
Intangible assets	203 843	49 760
	19 639 810	**20 131 334**

25. IMPAIRMENT OF ASSETS

Impairments		
Property, plant and equipment Assets not found at year end during the physical asset count, as a result condition assessment and useful life review could not be completed. Impairment of Ganyesa Sports facility, as it is currently undergoing a total revamp.	1 186 507	954 814

26. FINANCE COSTS

Trade and other payables	64 791	41 243
Finance leases	313 475	944 397
	378 266	**985 640**

27. DEBT IMPAIRMENT

Contributions to debt impairment provision (Note 5)	13 331 066	6 563 200

The movement in bad debts relate to an increase in the provision of impairment of receivables.

NOTES TO THE FINANCIAL STATEMENTS

	2018 R	2017 R
28. CONTRACTED SERVICES		
Information Technology Services	5 281 876	5 068 644
Fleet Services	-	265 706
Specialist Services	3 891 859	7 103 843
Other Contractors	32 070 867	22 674 547
	41 244 602	**35 112 740**
29. GENERAL EXPENSES		
Advertising	351 511	453 970
Auditors remuneration	3 410 082	2 907 869
Bank charges	89 622	83 156
MME Development	-	45 795
Community functions	-	5 879 722
Software expenses	1 852 904	864 602
Legal expenses	1 802 242	1 707 574
Entertainment - Councillors	40 550	15 841
Fines and penalties	4 000	-
Maintenance of illegal dumping site	59 371	2 517 789
Rental: Equipment	1 036 931	1 319 482
Insurance	1 748 043	1 537 695
Bursaries	1 306 733	1 003 577
Conferences and seminars	39 770	143 142
Disability funds	-	252 557
Employee assistance and wellness	182 288	92 296
Telephone	1 828 459	1 863 337
Workmans compensation	132 073	182 470
Mayoral outreach programmes	-	846 800
Membership fees: Societies	535 840	507 500
Vehicles: Licenses	5 432	33 372
Vehicles: Fuel and oil	3 748 586	3 093 047
Printing and stationery	341 873	166 824
Promotions	4 955 389	1 782 777
Protective clothing	227 875	790
Refreshments and meals	636 223	1 676 215
Subscriptions and membership fees	94 587	2 550
Mayoral inauguration	-	42 750
Training	2 520 327	1 213 122
Small tools and equipment	530 989	515 545
Electricity	8 028 786	6 473 198
General expenses	-	49 566
Travel and subsistence: Officials	1 217 792	1 492 090
Licenses and permits	18 978	2 074
Expanded Public Works Programme	5 323 870	3 524 310
Travel and subsistence: Councillors	738 240	1 302 883
Pauper Burials	70 746	221 506
Health Support Programmes	-	6 700
Excellence Awards	-	359 819
Youth and Elderly Support Programmes	8 124 655	976 635
Book and publications	-	23 180
Ward Participation Support	8 362 233	4 853 137
Manufacturing expenses	7 000	-
	59 374 000	**50 037 264**

NOTES TO THE FINANCIAL STATEMENTS

	2018 R	2017 R
30. FAIR VALUE ADJUSTMENTS		
Investment property (Fair value model)	2 195 974	3 054 522
31. AUDITORS' REMUNERATION		
Fees	3 410 082	2 907 869
32. CASH GENERATED FROM OPERATIONS		
(Deficit) surplus	(16 820 094)	18 754 354
Adjustments for:		
Depreciation and amortisation	19 639 810	20 131 334
Gain on sale of assets and liabilities	216 125	450 389
Fair value adjustments	(2 195 974)	(3 054 522)
Impairment deficit	1 186 507	954 814
Debt impairment	13 331 066	6 563 200
Movements in provisions	177 374	2 753 217
Changes in working capital:		
Receivables from exchange transactions	(1 297 539)	6 851 652
Other receivables from non-exchange transactions	(3 698 235)	(4 317 069)
Payables from exchange transactions	5 685 678	1 284 379
VAT	(667 471)	(3 829 047)
Unspent conditional grants and receipts	14 425 879	197 881
	29 983 126	**46 740 582**

NOTES TO THE FINANCIAL STATEMENTS

	2018 R	2017 R

33. FINANCIAL INSTRUMENTS DISCLOSURE

Categories of financial instruments

2018

Financial assets

	At cost	Total
Trade and other receivables from exchange transactions	125 695	125 695
Other receivables from non-exchange transactions	6 439 893	6 439 893
Cash and cash equivalents	38 607 327	38 607 327
	45 172 915	**45 172 915**

Financial liabilities

	At cost	Total
Trade and other payables from exchange transactions	18 962 598	18 962 598
Unspent conditional grants and receipts	15 213 024	15 213 024
	34 175 622	**34 175 622**

2017

Financial assets

	At cost	Total
Trade and other receivables from exchange transactions	-	-
Other receivables from non-exchange transactions	14 900 880	14 900 880
Cash and cash equivalents	39 282 339	39 282 339
	54 183 219	**54 183 219**

Financial liabilities

	At cost	Total
Trade and other payables from exchange transactions	13 276 919	13 276 919
Unspent conditional grants and receipts	787 145	787 145
	14 064 064	**14 064 064**

NOTES TO THE FINANCIAL STATEMENTS

	2018 R	2017 R

34. CONTINGENCIES

Contingent Liability

Mr. K Dijwe	-	1 519 264
Mr Dijwe instituted an action against the municipality for the recovery of damages that he allegedly suffered, as a result of the alleged malicious prosecution, including claims on interest and costs. An order of absolution from the instance was given by the High Court In Mmabatho whereafter he applied for leave to appeal such order. The application for leave to appeal was denied, whereupon Mr. Dijwe successfully petitioned the Appeal Court for such leave. The likelihood is that the appeal will succeed in favour of the Plaintiff. In 2016/17, the plaintiff failed to pursue an appeal of the judgement in favour of the Municipality. The judgement of absolution from the instance with costs therefore stands.		
MH Office Machines and Stationers CC	130 000	129 040
This entity instituted legal action against the Municipality for the recovery of an amount of R69 638.36 allegedly due to the delivery of goods and the rendering of services. The matter is being defended.		
The Public Protector	825 709	825 709
The Municipality initiated Court proceedings in terms of which The Public Protector remedial action was reviewed and it recommended that the municipality should pay an amount of R649 909.40 to Nduza Security Services. Following the legal advise from its team, the municipality agreed to have the remedial action reviewed and set aside, and the case thereof was registered in the North West High Court.		
SILVEX 259 CC	-	958 670
This matter was initiated by Silvex following allegation of damages claim amounting to R728 170.44 and this matter was registered at North West High Court. Silvex claim is mainly based on the balance of the retention fee and outstanding invoice and the municipality disputes the claim, and our counter claim is that Silvex did not complete the job according to the specifications. Currently we have applied for trial date and we await allocation thereof.		

Contingent Assets

NOTES TO THE FINANCIAL STATEMENTS

	2018 R	2017 R
34. CONTINGENCIES (continued)		
Mr K Dijwe	23 000	545 493
Mr Dijwe instituted an action against the municipality for the recovery of damages that he allegedly suffered as a result of the alleged malicious prosecution, including claims on interest and costs. An order of absolution from the instance was given by the High Court In Mmabatho whereafter he applied for leave to appeal such order. The application for leave to appeal was denied, whereupon Mr. Dijwe successfully petitioned the Appeal Court for such leave. The likelihood is that the appeal will succeed in favour of the Plaintiff. In 2016/17, the plaintiff failed to pursue an appeal of the judgement in favour of the Municipality. The judgement of absolution from the instance with costs therefore stands. There is a likelihood that the municipality may proceed with attempts at recovering the cost from Mr Dijwe.		
Realkit Investments	70 000	-
The municipality instituted legal action against the Realkit Investments for constructing a building on the premises of the municipality during 2016/17 financial year. The right to occupy the land was given by the Ganyesa communal authority where the Ganyesa taxi rank is currently situated. The municipality is of the opinion that the construction of the building was done without the consent of the municipality. The matter is currently being prosecuted in court and the possible financial exposure could not be determined at year-end.		
Kwane Capital (Pty) Ltd	300 000	5 426 934
A letter of demand was submitted to Kwane Capital(Pty) Ltd ("Kwane") on the 9th of August 2017 affording them 30 days to deliver the outstanding items no response was received, instructions were given to Counsel on the 21st of September 2017 to draft particulars of claim with a view to instituting legal proceedings. A Letter was received from Kwane's attorneys on the 4th of October 2017 containing certain representations. On the 17th of October 2017 Kwane's attorneys were notified that their representations were not acceptable and demanding re-payment of the amount paid over to them.		

NOTES TO THE FINANCIAL STATEMENTS

	2018 R	2017 R

35. COMMITMENTS

Authorised capital expenditure

Approved and contracted		
• Property, plant and equipment	20 495 511	43 213 321
Approved and not yet contracted		
• Property, plant and equipment	79 300 000	81 899 000
Total capital commitments		
Already contracted for but not provided for	20 495 511	43 213 321
Not yet contracted for and authorised by accounting officer	79 300 000	81 899 000
	99 795 511	**125 112 321**

36. RELATED PARTIES

Relationships

Accounting Officer	Refer to accounting officer's report note
Dr Ruth S Mompati Distric Municipality	The internal audit services are regarded as services-in-kind and the monetary value of these services could not be determined.
Close family member of key management	Declarations of interest was circulated to all employees and a CIPC search was performed.

The following related party transactions occurred between the municipality and its key management, including the audit committee.

Related party transactions

Purchases from related parties		
Cllr. SG Ngamole (Reamogetswe Catering and Cleaning Services)	-	137 050
OA Phillip (Pro Phillip Logistic)	-	22 350
ML Manyeke (AB Mosilabele Transport and All Aspects)	-	109 840
Cllr. LE Goabepe-Boema (Omphemetse Lorato (Pty) Ltd)	-	7 650
Cllr. BB Dithakgwe (Edmunds Trading Enterprize)	-	6 875
SO Lekgari (Ratang Tiro Trading (Pty) Ltd)	-	187 925
G Seeletso (Family member) - (Gopola Gorata Projects)	37 160	84 350
G Moreki (Family member) - (Roslyn Catering and Trading Enterprise)	31 910	56 800

Remuneration of management

Councillors/Mayoral committee members

Refer to note "Remuneration of councilors"

Executive management

*Refer to note "Employee related costs"

NOTES TO THE FINANCIAL STATEMENTS

	2018 R	2017 R

37. PRIOR PERIOD ERRORS

The correction of the errors results in adjustments as follows:

Statement of financial position	2017	2016
1) Decrease in receivables from non-exchange transactions	97 434	97 434
Correction of exempt properties (churches) incorrectly billed in prior years		
2) Increase in trade receivables from non-exchange transactions	8 137 150	8 137 150
Correction of the property rates billed to rural development in the prior year. The properties were initially levied at a lower rate.		
3) Increase in trade receivables from non-exchange transactions	2 681	2 861
3) Increase in Accumulated Surplus	2 861	2 861
Correction of a prior year unresolved difference between the trade receivables from non exchange transactions control account and sub-ledger.		
4) Increase in Cash and cash equivalents	116 621	-
4) Decrease in trade receivables from non-exchange transactions	62 211	-
Reversal of accrued interest incorrectly calculated on investment call accounts and interest on main account in the prior year, now corrected.		
5) Decrease in Finance lease obligation - Current Portion	9 680	-
5) Decrease in Trade and other payables from exchange transactions	109 215	-
5) Increase in Finance lease obligation - Non - Current Portion	97 521	-
Reversal of prior year creditor on finance lease, incorrectly recorded.		
6) Decrease in trade receivables from non-exchange transactions	38 311	-
Correction of exempt properties (churches) incorrectly billed in the prior year.		
7) Increase in trade receivables from non-exchange transactions	1 813 462	-
Correction of property rates debtors (Rural development) incorrectly billed in the prior year.		
8) Increase in Trade receivables from non-exchange transactions	3 493 185	-
Correction of prior year debt impairment due to reclassification of property rates debtors.		
9) Decrease in Trade receivables from non-exchange transactions	49 568	-
9) Decrease in Trade and other payables from exchange transactions	49 568	-
Correction and reclassification of prior year debtors with credit balances		
10) Decrease in Trade and other payables from exchange transactions	40 258	40 258
10) Increase in Accumulated Surplus	40 258	40 258
Realocation of the Cape Joint Funeral Fund to the correct vote		
11) Increase in trade receivables from non-exchange transactions	38 304	-
11) Decrease in VAT receivable	4 704	-
Correction of a prior year pre payment not previously recognised		
12) Increase in Property, Plant and Equipment (Movables)	246 526	246 525
Recognition of additional assets physically verified in the current year		
13) Increase in Property, Plant and Equipment (Movables)	91 081	91 081
13) Decrease in Accumulated Surplus	91 081	-

NOTES TO THE FINANCIAL STATEMENTS

	2018 R	2017 R
37. PRIOR PERIOD ERRORS (continued)		
Recognition of depreciation of additional assets physically verified for periods before 30 Jun 2016		
14) Decrease in Property, Plant and Equipment (Movables)	151 364	151 364
14) Decrease in Accumulated Surplus	151 364	-
Correction of cost and accumulated depreciation of the prior years and as impairment and cost where incorrectly accounted for in the prior year		
15) Decrease in Property, Plant and Equipment (Movables)	49 578	-
Recognition of 2017 depreciation for additional assets verified		
16) Decrease in Property, Plant and Equipment (Movables)	662 633	-
Recognition of additional depreciation to be recognised on assets previously impaired		
17) Decrease in Property, Plant and Equipment (Movables)	450 389	-
Recognising transport assets not correctly accounted for in 2017 which have been disposed		
18) Decrease in VAT receivable	44 960	-
18) Decrease in Property, Plant and Equipment (WIP)	321 141	-
18) Decrease in Trade and other payables from exchange transactions	366 101	-
Prior year retention release incorrectly recorded		
19) Increase in Property, Plant and Equipment (Immovables)	5 885 890	5 885 890
19) Increase in Accumulated Surplus	5 885 890	-
Correction of 2017 cost and accumulated depreciation as depreciation were incorrecty calculated in the prior years.		
20) Decrease in Trade receivables from non exchange transactions	23 665	23 665
20) Decrease in Accumulated Surplus	23 665	23 665
Correction of prior years difference of control account vs debtors listing		
21) Increase in VAT receivable	1 166	885
21) Decrease in Trade and other payables from exchange transactions	538 344	471 727
21) Increase in Accumulated Surplus	472 612	472 612
Correction of trade and other payables from exchange transactions mistatements in the prior year		
22) Increase in Trade receivables from non-exchange transactions	728 170	
Correction of prepayments misallocated in the in the prior year		
Statement of financial performance	2017	2016
1) Decrease in Property Rates	-	97 434
Correction of exempt properties (churches) incorrectly billed in prior years		
2) Increase in Property Rates	-	8 137 150
Correction of the property rates billed to rural development in the prior year. The properties were initially levied at a lower rate.		
4) Increase in Interest Earned	54 410	-
Reversal of accrued interest incorrectly calculated on investment call accounts and interest on main account in the prior year, now corrected.		
5) Decrease in Finance Cost	21 375	-

NOTES TO THE FINANCIAL STATEMENTS

	2018 R	2017 R
37. PRIOR PERIOD ERRORS (continued)		
Reversal of prior year creditor on finance lease, incorrectly recorded.		
6) Decrease in Property Rates Correction of exempt properties (churches) incorrectly billed in the prior year.	38 311	-
7) Increase in Property Rates Correction of property rates debtors (Rural development) incorrectly billed in the prior year.	1 813 462	-
8) Decrease in Debt Impairment Correction of prior year debt impairment due to reclassification of property rates debtors.	3 493 185	-
11) Decrease in general expenditure Correction of a prior year pre payment not previously recognised	33 600	-
12) Decrease in the impairment of assets (Movables) Recognition of additional assets physically verified in the current year	-	246 526
13) Increase in depreciation and amortisation Recognition of depreciation for periods before 30 Jun 2016	-	91 081
14) Increase in the impairment of assets (Movables) Correction of cost and accumulated depreciation of the prior years and as impairment and cost where incorrectly accounted for in the prior year	-	151 364
15) Increase in depreciation and amortisation (Movables) Recognition of 2017 depreciation for additional assets verified	49 578	-
16) Increase in depreciation and amortisation (Movables) Recognition of additional depreciation to be recognised on assets previously impaired	662 633	-
17) Increase in (Gain) / loss on sale of assets Recognising transport assets not correctly accounted for in 2017 which have been disposed	450 389	-
19) Increase in depreciation and amortisation (Immovables) Correction of 2017 cost and accumulated depreciation as depreciation were incorrecty calculated in the prior years	-	5 885 890
21) Decrease in repairs and maintenance	152	-
21) Decrease in General Expenditure Correction of trade and other payables from exchange transactions mistatements in the prior year	66 747	-
22) Decrease in general expenditure Correction of prepayments misallocated in the in the prior year	728 170	-

NOTES TO THE FINANCIAL STATEMENTS

Figures in Rand

38. RISK MANAGEMENT

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	**2018**	**2017**
Current Account (Primary Bank Account) - ABSA Acc. No 407801332	5 834 290	12 200 771
Other short-term investments	32 773 012	27 081 568
Receivables	6 565 588	14 900 880

These balances represent the maximum exposure to credit risk.

39. GOING CONCERN

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

40. UNAUTHORISED EXPENDITURE

Unauthorised expenditure - opening balance	118 756 476	101 151 349
Unauthorised expenditure - current year	24 996 067	17 605 127
- Condoned or written off by Council	-	-
- Transfer to receivables for recovery - not condoned	-	-
	143 752 543	**118 756 476**

Incident & Disciplinary steps/criminal proceedings

Unauthorised expenditure is due to the overspending of the total amount appropriated for a vote in the approved budget.

i) No criminal or disciplinary steps were taken after investigation process.

Ii) No material losses have been recovered.

NOTES TO THE FINANCIAL STATEMENTS

Figures in Rand

41. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure - opening balance	1 919 372	1 878 129
Fruitless and wasteful expenditure - current year	64 791	41 243
- Condoned or written off by Council	-	-
- To be recovered	-	-
	1 984 163	**1 919 372**

Disciplinary steps/criminal proceedings

The fruitless and wasteful expenditure mainly relates to penalties and interest charged on overdue accounts. Investigations is ongoing.

i) No criminal or disciplinary steps were taken after investigation process.
Ii) No material losses have been recovered.

42. IRREGULAR EXPENDITURE

Opening balance	296 680 732	242 164 289
Add: Irregular Expenditure - prior year identified in the current year	-	452 687
Less: Prior year error VAT incorrectly included	-	(26 528 521)
Add: Irregular expenditure current year	91 125 990	80 592 277
Less: Amounts recoverable (Under investigation)	-	-
Less: Amounts written off	-	-
	387 806 722	**296 680 732**

Analysis of expenditure awaiting condonation per age classification

Current year	91 125 990	80 592 277
Prior years	296 680 732	216 088 455
	387 806 722	**296 680 732**

42. IRREGULAR EXPENDITURE (continued)

Deviation incidents

	Disciplinary steps taken/criminal proceedings	
Evaluation criteria inconsistently applied - MFMA Circular 29, MFMA Sec 112 and SCM reg 21 (b)	Under investigation	3 199 934
Extention of contract without approval - MFMA section 116(3)(a) and SCM reg 5	Under investigation	10 421 037
Preference point incorrectly calculated (Firm Price) - Preferential Procurement Regulations 6(1)	Under investigation	1 557 121
No competitive bidding process was followed - SCM reg 19 (1) (a), MFMA 112 and SCM reg 21 (b)	Under investigation	6 544 909
3 Quotations were not obtained (Below R10,000) - SCM reg 17(1)(a)	Under investigation	195 881
3 Quotations were not obtained (Between R10,000 and R200,000) - SCM Regulation 12(1)c & 17(1)(a)	Under investigation	628 269
Contracts awarded to suppliers without municipal rates and taxes - SCM reg 28(1)(C) and SCM reg 38(1) (d)	Under investigation	18 438 267
Bidders failed functionality but were awarded the tender - SCM reg 28(1)(a)(ii), PPR 4(4) and PPR 4(5)	Under investigation	3 700 425
Final Approval on quotations were not made by delegated official - SCM Reg 5	Under investigation	1 223 796
No declaration of Interest and 3 Quotations were not obtained - SCM Regulation 13(c) & 17(1)(a)	Under investigation	19 418 473
Awards were not advertised for the minimum days required - SCM Regulation 22 (1)(b)(i)	Under investigation	14 658 814
SCM Regulation 32 contracts	Under investigation	10 896 169
Excess payment on councillors remuneration	Under investigation	242 895
		91 125 990

Non compliance - Accrued Expenses / Payables

	Disciplinary steps taken/criminal proceedings	
Accrued expenses	Under investigation	3 938 905

43. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

SALGA

Opening balance	-	-
Current year subscription / fee	500 000	500 000
Amount paid - current year	(475 000)	(475 000)
Amount paid - previous years	(25 000)	(25 000)
	-	**-**

43. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)

Audit fees

Opening balance	-	132 366
Current year subscription / fee	3 888 910	3 313 811
Amount paid - current year	(3 888 910)	(3 313 811)
Amount paid - previous years	-	(132 366)
	-	**-**

Audit fees balance include interest levied.

PAYE and UIF

Opening balance	36 881	36 881
Current year subscription / fee	6 124 050	5 556 163
Amount paid - current year	(6 444 969)	(5 556 163)
	(284 038)	**36 881**

Pension and Medical Aid Deductions

Opening balance	(17 355)	(17 355)
Current year subscription / fee	7 734 380	6 734 630
Amount paid - current year	(7 734 380)	(6 734 630)
	(17 355)	**(17 355)**

VAT

VAT receivable	3 245 256	2 577 785

VAT output payables and VAT input receivables are shown in note 7.

All VAT returns have been submitted by the due date throughout the year.

44. BUDGET DIFFERENCES

Material differences between budget and actual amounts

	2018 R	2017 R

44. BUDGET DIFFERENCES (continued)

A. Current economic climate resulted in a decrease in rentals.

B. Current economic climate resulted in a decrease in trading interest charges.

C. The adjusted budget included the VAT recovery.

D. No withdrawals were made from investment accounts, hence higher interest received.

E. Additions of Department of Public Works Properties resulted in a higher collection in the prior year, this resulted that for the curent year a higher estimation was included in the budget.

F. Conditional Grants Received were spent resulted in an increase.

G. The municipality under budgeted for non cash item to ensure that the budget is cash backed.

H. Reversal of assets written off recorded after physical assets counts conducted.

I. Finance Cost, Bad Debts, Repairs and Maintenance, Transfers and Subsidies are budgeted for under the General Expenses classification. In total the General Expenses was underspent as a result of cost containment measures.

J. Capacity issues resulted in the services of professionals procure.